



KWAZULU-NATAL PROVINCE

**COOPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS**

REPUBLIC OF SOUTH AFRICA

TRADITIONAL LEVIES AND TRUST ACCOUNT

2022/23



**GROWING
KWAZULU-NATAL
TOGETHER**



KWAZULU-NATAL PROVINCE

COOPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

2022/23 Annual Report

Cooperative Governance and Traditional Affairs

Traditional Levies and Trust Account



CONTENTS

PART A: GENERAL INFORMATION

1.	GENERAL INFORMATION ABOUT THE DEPARTMENT	4
2.	LIST OF ABBREVIATIONS/ACRONYMS	4
3.	FOREWORD BY THE MEC	5
4.	REPORT OF THE ACCOUNTING OFFICER	6

PART B: FINANCIAL INFORMATION

5.	REPORT OF THE AUDITOR-GENERAL	8
6.	ANNUAL FINANCIAL STATEMENTS	13
7.	LOCAL HOUSE OF TRADITIONAL LEADERS	39

PART A: GENERAL INFORMATION



1. GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Traditional Levies and Trust Account
Accounting Authority	Mr T. Tubane
Chief Financial Officer	Ms Y. Joyi
Registered office	Natalia Building 330 Langalibalele Street Pietermaritzburg 3200
Postal address	Private Bag X9078 Pietermaritzburg 3200
Bankers	ABSA Bank Limited Standard Bank Ithala Limited

2. LIST OF ABBREVIATIONS/ACRONYMS

GRAP	Generally Recognized Accounting Practice
------	--

3. FOREWORD BY MEC BONGIWE SITHOLE - MOLOI FOR TRADITIONAL LEVIES AND TRUST ACCOUNT ANNUAL REPORT (ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023)



MEC BONGIWE SITHOLE - MOLOI

With pride and courage, we present another Annual Report for the Traditional Levies and Trust Account. We are grateful that this period has once again ended with a positive audit outcome notwithstanding the numerous challenges that had to be negotiated along the way. We have not wavered on our commitment to provide maximum support to the Institution of Traditional Leadership in our culturally rich Province. We remain steadfast in recognising the significance of this institution in our African culture generally and KwaZulu-Natal, in particular.

Within our province, 307 Traditional Councils stand as beacons of service and hope to our communities, led by Amakhosi and AmaBambabukhosi, supported by IziNduna and Traditional Council Secretaries. Our commitment to this institution remains unwavering, aligning with our mandate to uphold seamless governance, even in our rural and semi-urban areas.

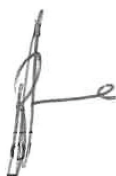
In a constitutional realm that demands accountability from all quarters, we are pleased to declare that the Traditional Levies and Trust Account has once again received a clean audit opinion for the fourth consecutive year. This achievement is particularly noteworthy, considering the numerous challenges that we have had to navigate.

Once again, we had to navigate the issue of stipends for Traditional Council Secretaries to the point of engaging in legal processes. We are pleased that we have now reached an amicable solution to this process. This also holds true for the issue of IziNduna backpay, which we were able to resolve. We are now dealing with snags relating to deceased IziNduna, having paid all IziNduna who are still on our system. It is imperative to acknowledge the indefatigable efforts of the Department's workforce, who have, under arduous circumstances, contributed to this accomplishment. Their dedication has resulted in meticulous records of financial and non-financial transactions, strengthening the foundation of sound financial management.

As we enter the new financial year, it's important to encourage all our staff, senior officials, and accounting officers—who are the main drivers of change and improvement to continue working diligently. As we continue to empower the institutions of traditional leadership in our province, we have undertaken several financial commitments that will require us to be extra vigilant in order to maintain our good work. Our proactive implementation of an internal control system has cultivated an environment of prudent management. While our journey of progress persists, it is important to acknowledge the ongoing challenges in this sector that the government is tirelessly addressing.

The distressing incidents of violence that continue to afflict this realm remain a matter of paramount concern. In our pursuit of solutions, we have convened several discussions to address this issue directly. We must commend the evident collaboration with law enforcement agencies, as evidenced by the apprehension of some of those responsible for these reprehensible acts. We are heartened by the vigorous discourse across various platforms, which enriches our understanding and aids in improving our governmental systems for the betterment of our communities.

In conclusion, as we present the 2022/2023 report and unveil the financial statements of the Traditional Levies and Trust Account, we extend commendations to Amakhosi, IziNduna, Traditional Council members, and Traditional Council Secretaries. Their steadfast cooperation in our pursuit of sound financial stewardship within our traditional institutions is invaluable. We send our best wishes as they continue their noble service to our nation.



**MS B SITHOLE-MOLOI, MPL
KZN MEC FOR COGTA**



REPORT OF THE ACCOUNTING OFFICER



MR T TUBANE

1. Review of Activities

Main business and operations

As the Accounting Officer, it is pleasing to submit the 2022/23 Traditional Levies and Trust Account Annual Report against the background of the Department being recently rewarded with the fourth consecutive clean audit outcomes for both Vote 11 and the Traditional Levies and Trust Account by the Auditor-General.

The Traditional Levies and Trust Account operates as a bank account within which the financial operations and activities of the traditional councils are managed.

The traditional councils collect different forms of revenue, which are voluntary in nature, from the traditional communities residing within their respective boundaries, deposit monies collected and honour their obligations through this bank account. In turn, the Traditional Levies and Trust Account is managed by the Department of Cooperative Governance and Traditional Affairs, in terms of the KwaZulu Natal Traditional Leadership and Governance Act No. 5 of 2000.

A number of challenges exist as far as the completeness of revenue is concerned. One of the main root causes for this challenge is the fact that the traditional councils' revenue system is not regulated and is dependent on voluntary receipts as a mainstream of income. The Department has developed an internal control system to ensure that a sound financial management environment prevails.

In March 2023, the entity had a total cash and cash equivalent of approximately R35,4 million (2021/2022: R34,9 million). The Total Interest amount of approximately R 1,2 million (2021/2022: R1.3 million) received from these investments, excluding investment on fixed-term accounts, is capitalized with the intention of distributing them annually to the respective traditional councils.

The entity generated and maintained a GRAP 17 compliant property, plant, and equipment register. The Traditional Levies and Trust Account's financial statements have been prepared under the going concern of Generally Recognised Accounting Practice.

Asset Management

The Department delivered newly purchased assets during the 2022/2023 financial year amounting to R8.80m. The total current year assets additions are disclosed in Note 2 of these annual financial statements.

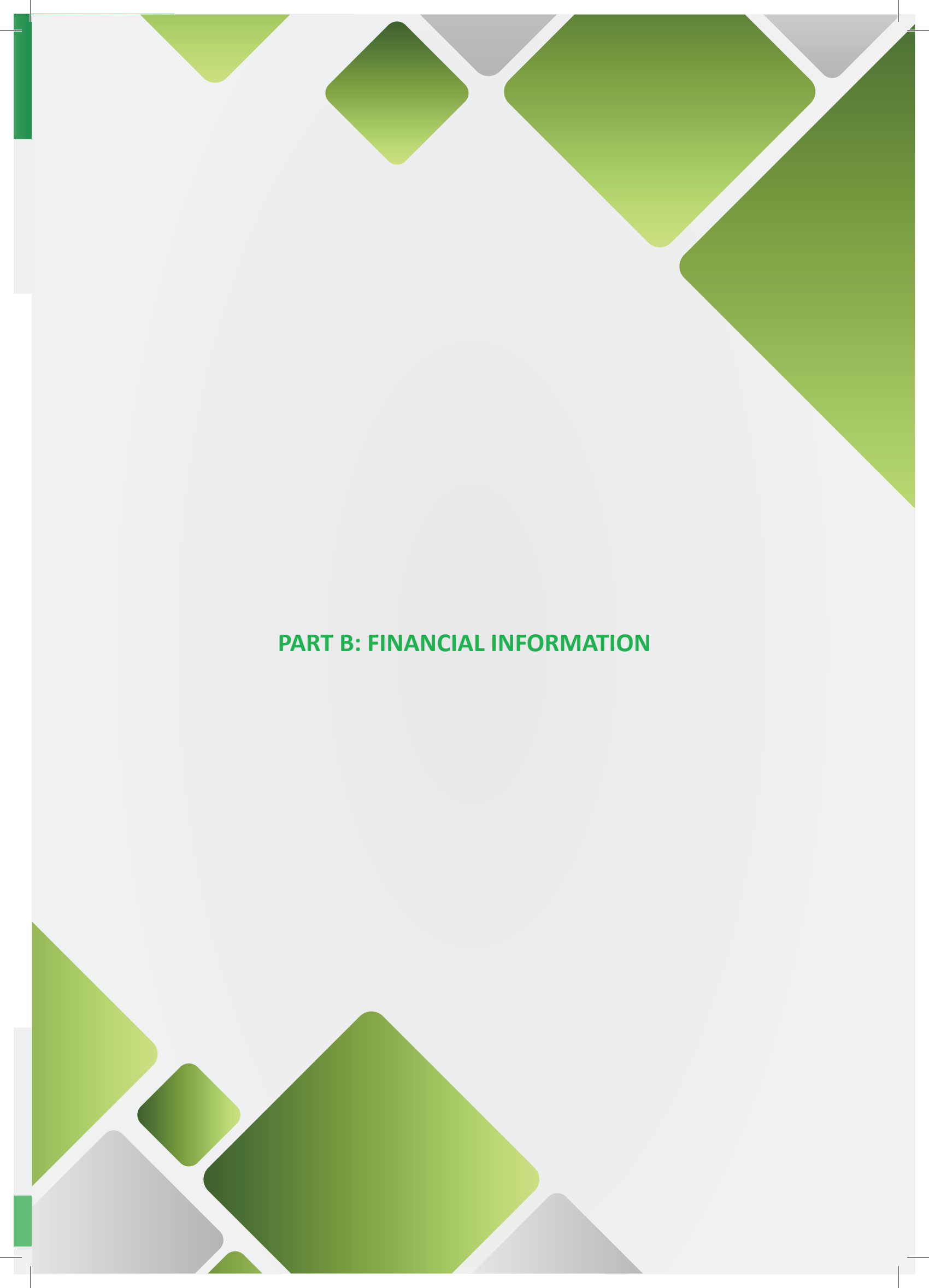
Approval

The annual financial statements set out on pages 13 to 38 have been prepared on a going-concern basis, and have been approved by the Accounting Officer.

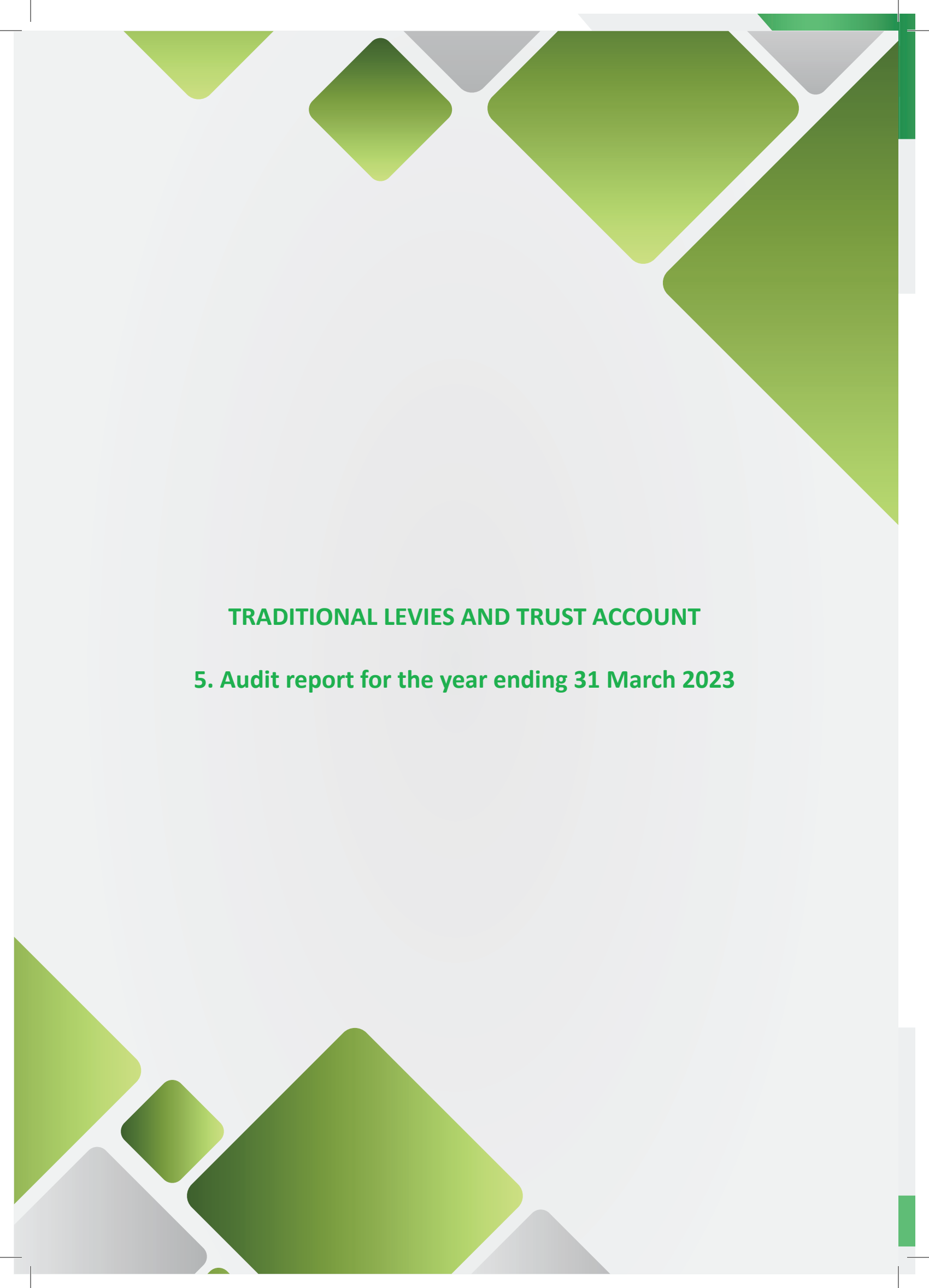
MR T TUBANE

HEAD OF DEPARTMENT

DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS



PART B: FINANCIAL INFORMATION



TRADITIONAL LEVIES AND TRUST ACCOUNT

5. Audit report for the year ending 31 March 2023



Report of the Auditor-General to the KwaZulu-Natal Provincial Legislature on the Traditional Levies and Trust Account

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Traditional Levies and Trust Account set out on pages 14 to 38, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Traditional Levies and Trust Account as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognized Accounting Practice (GRAP) and the requirements of the KwaZulu-Natal Traditional Leadership and Governance, 2005 (Act No. 5 of 2005) (KZNTLGA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the institution in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

7. As disclosed in note 15 to the annual financial statements, the corresponding figures for 31 March 2022 were restated as a result of an error in the financial statements of the institution at, and for the year ended, 31 March 2023.

Responsibilities of the accounting officer for the financial statements

8. The Accounting Officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the KZNTLGA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the Accounting Officer is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the institution or to cease operations, or has no realistic alternative but to do so.



Auditor-General's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Performance information reporting

12. In terms of the KZNTLGA the entity is not required to prepare an annual performance report.

Report on the audit of compliance with legislation

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the institution with specific matters in key legislation. As the entity does not have entity-specific legislation, no work was performed on the audit of compliance with legislation.

Other information

14. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the Auditor's report.
15. My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
16. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
17. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.



Internal control deficiencies

18. I considered internal control relevant to my audit of the financial statements however, my objective was not to express any form of assurance on it.

19. I did not identify any significant deficiencies in internal control.

Auditor-General

Pietermaritzburg

31 July 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Annexure – Auditor-General’s responsibility for the audit

Professional judgement and professional scepticism

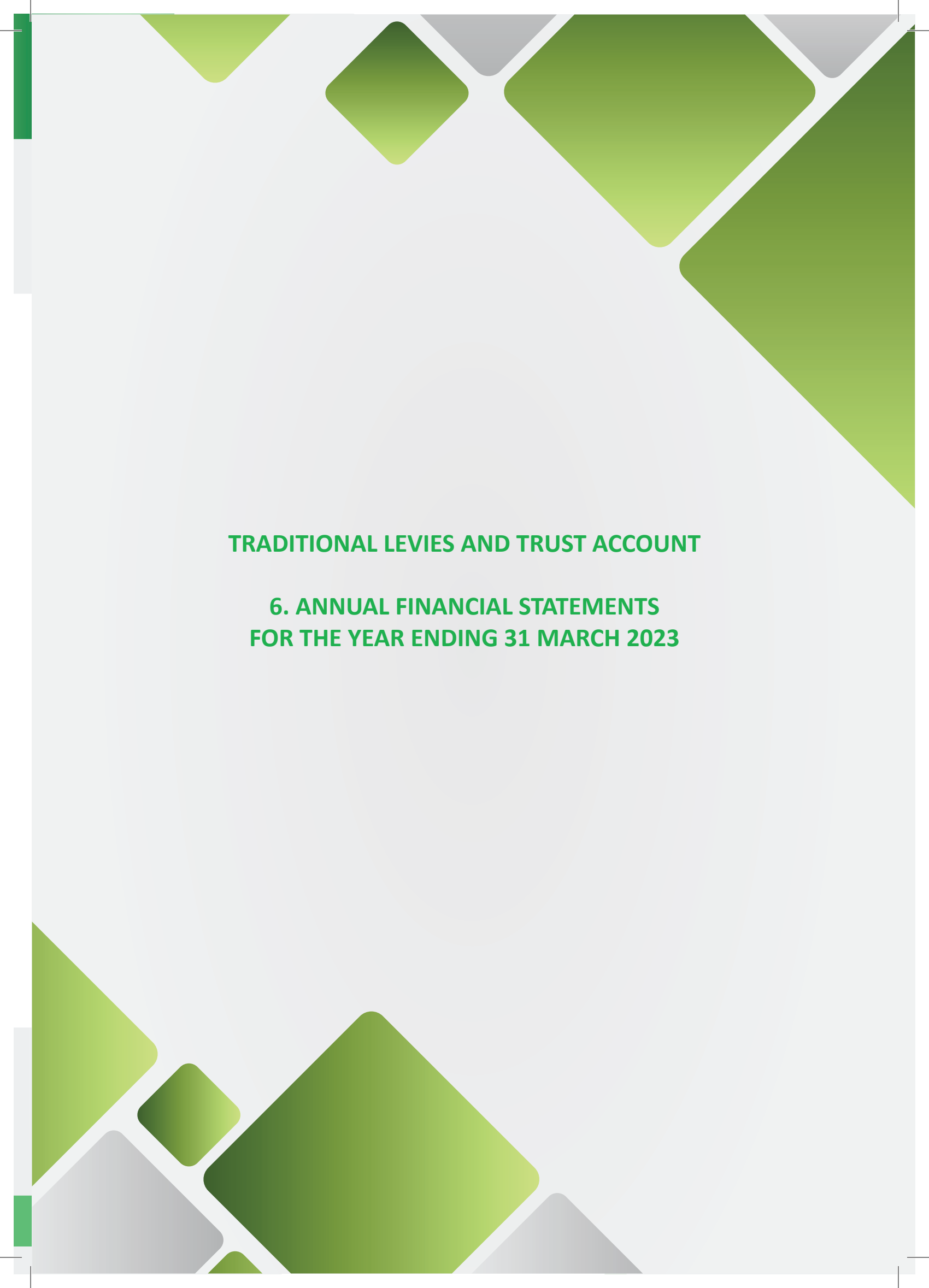
1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional skepticism throughout my audit of the financial statements.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this Auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the institution’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
 - conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the institution to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this Auditor’s report. However, future events or conditions may cause the institution to cease operating as a going concern
 - evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



TRADITIONAL LEVIES AND TRUST ACCOUNT

6. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2023



Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Statement of Financial Position	15
Statement of Financial Performance	17
Statement of Changes in Net Asset	19
Cash Flow Statement	21
Accounting Policies	23
Notes to the Annual Financial Statements	29
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Local Houses of Traditional Leaders	38

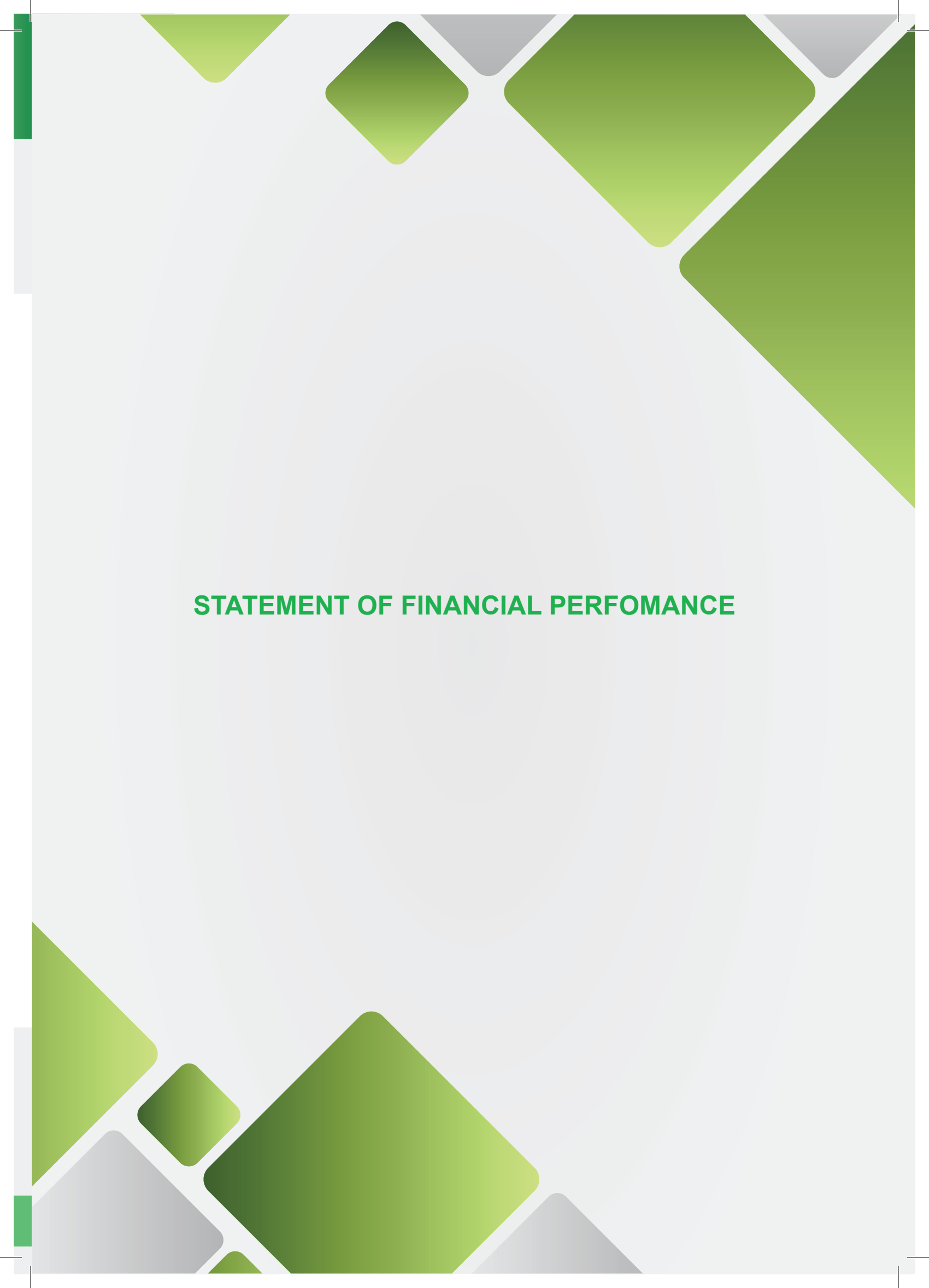


STATEMENT OF FINANCIAL POSITION



Statement of Financial Position as at 31 March 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	4	176,522	204,322
Receivables from exchange transactions	5	123,900	-
Cash and cash equivalents	6	35,393,850	34,889,160
		35,694,272	35,093,482
Non-Current Assets			
Property, plant and equipment	2	25,568,538	21,586,804
Intangible assets	3	1,599	2,358
		25,570,137	21,589,162
Total Assets		61,264,409	56,682,644
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	925,185	1,063,758
Total Liabilities		925,185	1,063,758
Net Assets		60,339,224	55,618,886
Accumulated surplus		60,339,224	55,618,886

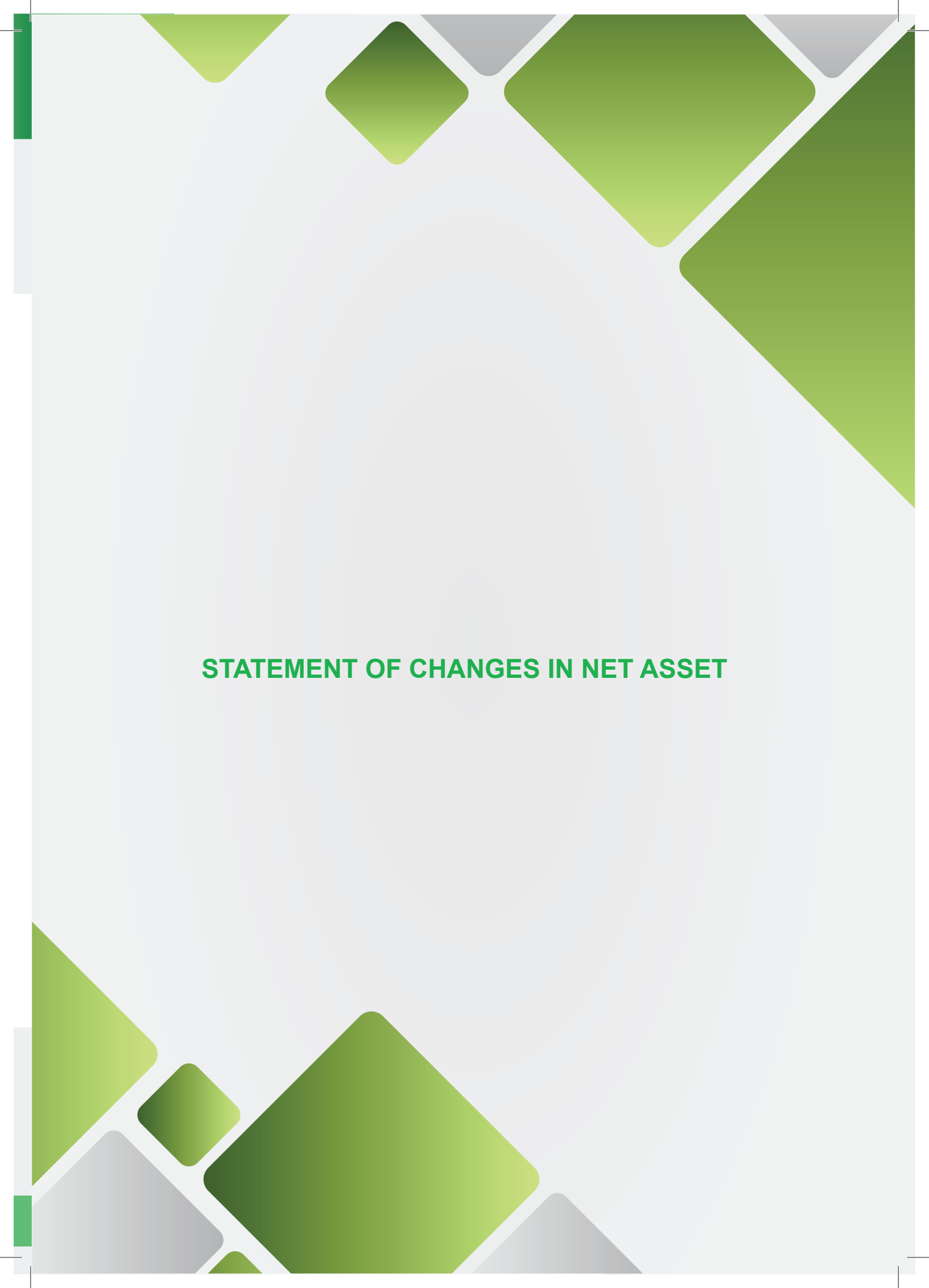


STATEMENT OF FINANCIAL PERFORMANCE



Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Court fees and fines		218,925	266,728
Direct receipts		234,753	586,747
Tribal levies		1,443,515	1,496,961
Royalties received		83,350	64,850
Rental income		61,236	45,883
Miscellaneous		653,555	809,204
Customary fees		5,642,029	5,746,407
Cultural Activities		250,050	347,649
Live Stock Permits		234,180	195,560
Land Utilization		3,166,293	4,501,617
Interest received	8	1,194,462	1,304,540
Total revenue from exchange transactions		13,182,348	15,366,146
Revenue from non-exchange transactions			
Transfer revenue			
Departmental support	10	42,388,106	21,655,597
Total revenue		55,570,454	37,021,743
Expenditure			
Employee related costs	11	(10,336,308)	(11,758,160)
Depreciation and amortisation		(5,253,663)	(5,337,814)
impairments of assets		-	(4,817)
Inventory write-downs		(27,800)	(55,226)
Departmental support	9	(33,588,120)	(21,324,597)
Loss on disposal of assets and liabilities		(382,119)	(1,608,484)
General Expenses	12	(1,389,410)	(1,341,255)
Total expenditure		(50,977,420)	(41,430,353)
Surplus / (Deficit) before other comprehensive income		4,593,034	(4,408,610)
Gains from assets reassessment		815,307	4,289,459
Surplus / (Deficit) for the year		5,408,341	(119,151)

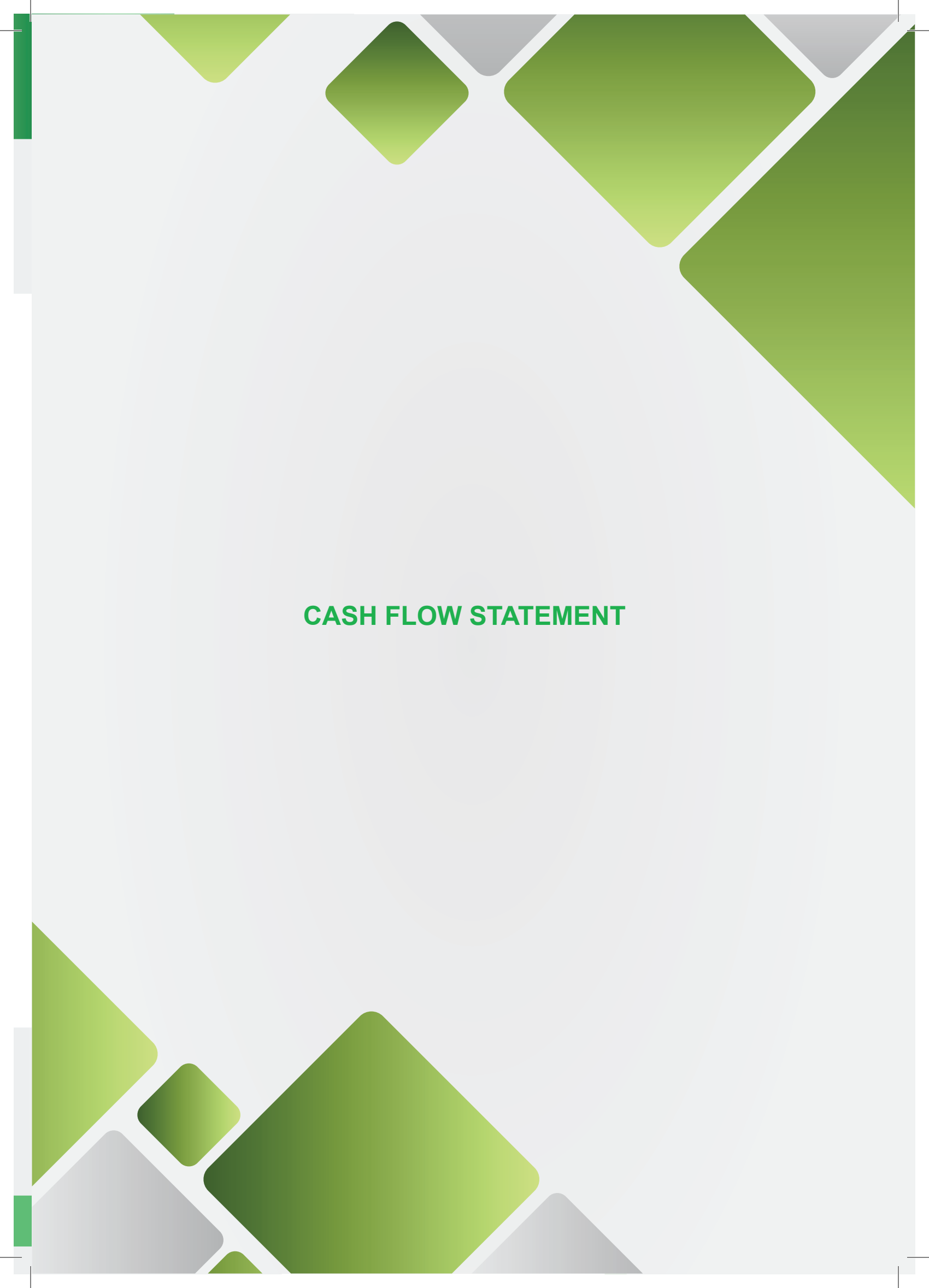


STATEMENT OF CHANGES IN NET ASSET



Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2021 as previously reported	53,055,376	53,055,376
Changes in net assets Restated surplus for the year	(63,190)	(63,190)
Correction of error (Note 15)	2,626,700	2,626,700
Total changes	2,563,510	2,563,510
Balance as at 31 March 2022 - restated	55,618,886	55,618,886
Changes in net assets Surplus for the year	5,408,341	5,408,341
Total changes	5,408,341	5,408,341
Balance at 31 March 2023	61,027,227	61,027,227
Note(s)		

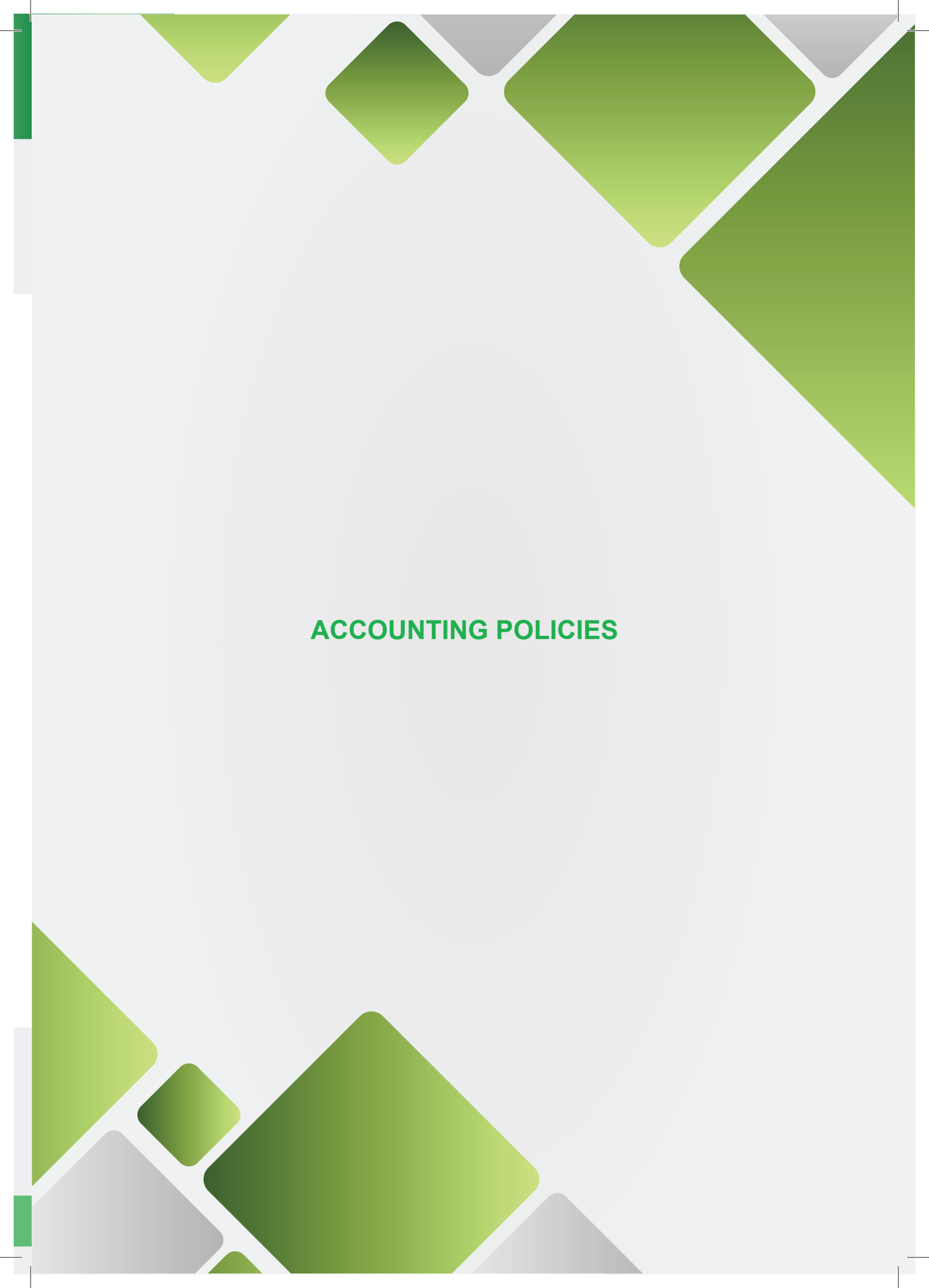


CASH FLOW STATEMENT



Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		11,629,233	13,490,010
Interest income		1,194,462	1,362,322
Unallocated receipts		234,753	297,121
		13,058,448	15,149,453
Payments			
Employee costS		(10,268,192)	(12,447,491)
Suppliers		(2,285,566)	(1,976,799)
		(12,553,758)	(14,424,290)
Net cash flows from operating activities	13	504,690	725,163
Cash flows from financing activities			
Disinvestment of fixed investmentS		-	10,000,000
Net increase/(decrease) in cash and cash equivalents		504,690	10,725,163
Cash and cash equivalents at the beginning of the year		34,889,160	24,163,997
Cash and cash equivalents at the end of the year	6	35,393,850	34,889,160



ACCOUNTING POLICIES



1. Basic of accounting

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

These accounting policies are consistent with the previous period.

1.1 Functional and presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. Management is not aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

1.3 Use of judgement and estimates

In preparing these annual financial statements, management has made judgements, estimates and assumptions that may affect the application of the entity's accounting policies and the reported amounts of assets and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimate are recognized prospectively.

Measurement of fair value: A number of the entity's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The entity has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the entity uses observable market data as far as possible.

1.4 Comparatives figures

When the presentation or classification of items in the annual financial statements is amended prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as it is practical, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practicable, and the prior year comparatives are restated accordingly.

1.5 Property, plant, and equipment

Recognition and measurement: Items of property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant, and equipment at 01 April 2010, the entity's date of transition to GRAP, was determined with reference to its fair value at that date.

If significant parts of an item of property, plant, and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant, and equipment.

Any gain or loss on disposal of an item of property, plant, and equipment is recognised in profit or loss.

Subsequent expenditure: Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the entity.

Depreciation: Depreciation is calculated to write off the cost of items of property, plant, and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.



The useful lives of items of property, plant and equipment have been assessed as follows:

Accounting Policies

1.5 Property, plant, and equipment (continued)

Item	Depreciation method	Average useful life
Inventories	Straight line	5 - 7 years
Computer Equipment	Straight line	5 - 8 years
Furniture and fixtures	Straight line	5 - 15 years
Batteries	Straight line	2 - 6 years
Office equipment	Straight line	3 - 10 years
Office safes	Straight line	7 - 30 years
Generators Solar Panels	Straight line	5 - 10 years
Bins and Containers	Straight line	25 years
Furniture below R5000	Straight line	5 - 20 years
Computer Equipment below R5000	Straight line	5 - 15 years
	Straight line	5 - 8 years

1.6. Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.



Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Development costs	Straight line	2 - 5 years

1.7. Financial instruments

The entity classifies non-derivative financial assets into three categories: Financial assets at fair value through profit or loss, Held-to-maturity financial assets and Receivables.

Non-derivative financial assets - Recognition and derecognition

The entity initially recognised receivables on the date when they originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Non-derivative financial assets - Measurement

Financial assets at fair value through profit or loss: A financial asset is classified as at fair value through profit or loss as is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including interest, are recognised in profit and loss.

Receivables: These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised costs using the effective interest method.

Held-to-maturity financial assets: These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequently, to initial recognition, they are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities - Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash includes cash with banks, direct deposits, and short-term investments.

1.8. Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently, inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;



1.8 Inventories (continued)

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets is based on the fact that the entity is not a profit-oriented entity.

1.10 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is the expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.



1.11 Revenue from exchange transactions

Revenue from exchange transactions refers to the revenue that accrued to the traditional council directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Revenue from the provision of services and sale of goods is recognised when substantially all the risk and rewards are passed to the consumer.

Revenue arising out of situations where the traditional council acts on behalf of a third party is limited to the amount of any fee or commission payable to the traditional council as compensation for executing the agreed services.

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

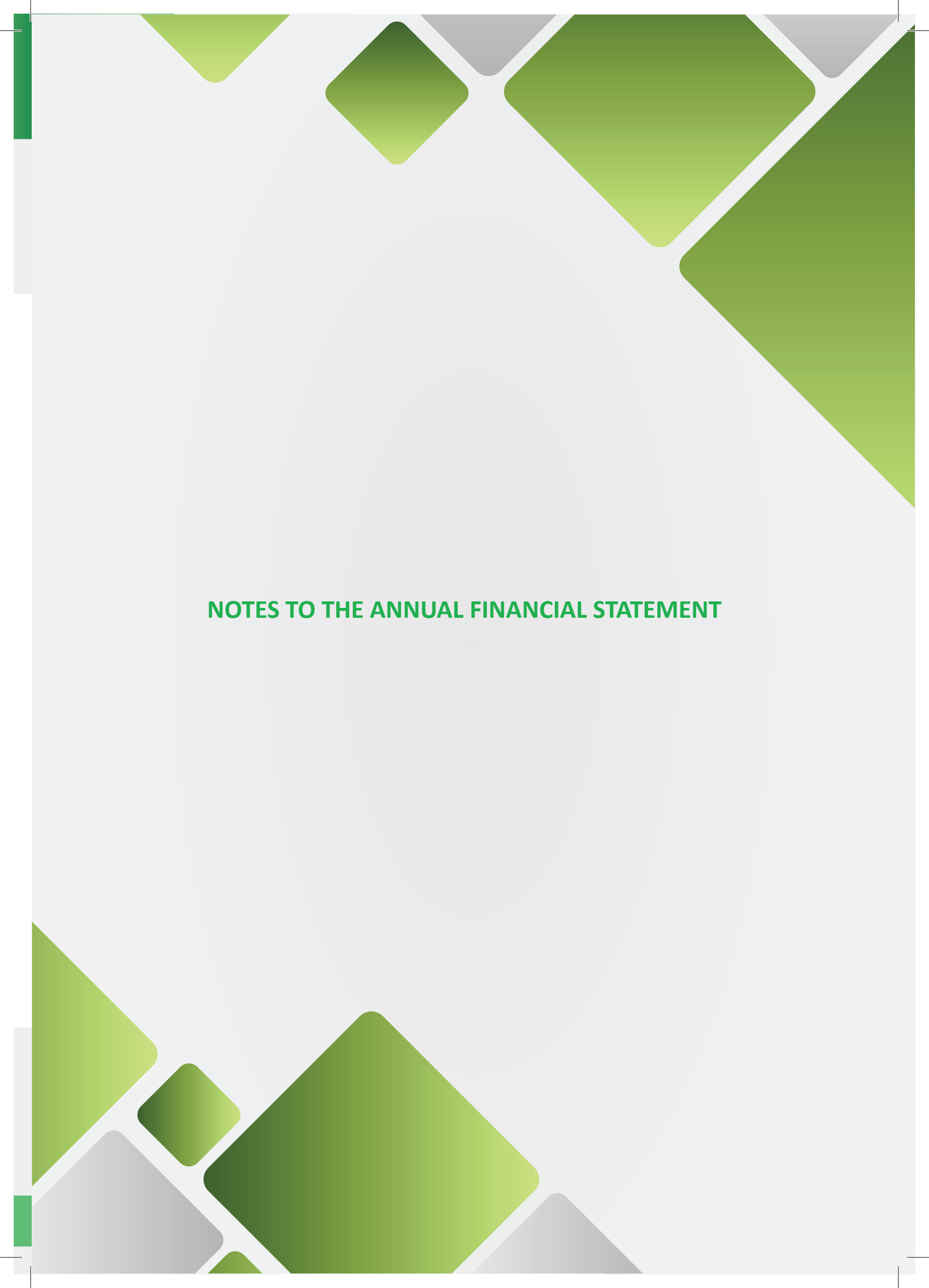
Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.13 Accounting policies, Changes in accounting estimates and Errors

An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information. The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both.

Current period errors discovered in that period are corrected before the financial statements are authorised for issue. However, material errors not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.



NOTES TO THE ANNUAL FINANCIAL STATEMENT



Notes to the Annual Financial Statements

Figures in Rand

2023

2022

2. Property, plant and equipment

	Cost/ Valuation	Accumulated Carrying value depreciation and accumulated Impairment	Carrying Value	Cost/ Valuation	Accumulated Carrying value depreciation and accumulated Impairment	Carrying Value
Furniture and fixtures	41,370,524	(17,210,079)	24,160,445	33,556,379	(13,463,307)	20,093,072
Computer equipment	898,424	(566,142)	332,282	1,151,956	(804,922)	347,034
Safes	1,482,527	(406,716)	1,075,811	1,482,527	(335,829)	1,146,698
Total	43,751,475	(18,182,937)	25,568,538	36,190,862	(14,604,058)	21,586,804



2. Property, plant, and equipment (continued)

Reconciliation of property, plant, and equipment - 2023	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Furniture and fixtures	20,094,692	8,799,986	(328,598)	679,608	(5,085,243)	24,160,445
Computer equipment	347,033	-	(53,676)	135,698	(96,773)	332,282
Safes	1,146,699	-	-	-	(70,888)	1,075,811
	21,588,424	8,799,986	(382,274)	815,306	(5,252,904)	25,568,538



2. Property, plant, and equipment (continued)

Reconciliation of property, plant, and equipment - 2022	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Furniture and fixtures	21,944,782	-	(993,635)	4,250,928	(5,102,566)	(4,817)	20,094,692
Computer equipment	669,393	-	(197,289)	38,531	(163,601)	-	347,034
Batteries	85,004	-	(85,004)	-	-	-	-
Safes	931,614	331,000	(45,029)	-	(70,888)	-	1,146,697
Bins and containers	74,371	-	(74,371)	-	-	-	-
Solar Panel heating	77,261	-	(77,261)	-	-	-	-
Generators	119,092	-	(119,092)	-	-	-	-
Inverters	16,801	-	(16,801)	-	-	-	-
	23,918,318	331,000	(1,608,482)	4,289,459	(5,337,055)	(4,817)	21,588,423

Additions

The department purchased 7 272 furniture items for the benefit of Traditional Councils during the 2022/2023 financial year to the value of R8 799 986, 23.

Disposals

There were 966 assets that were not verified as per the 2022 audited fixed assets register. There is no evidence that these assets were disposed of or transferred. The book value of these assets as at the end of the 2022 financial year end was R382 119,04 and was subsequently written off.

The remaining solar panels and their components were disposed in the last financial year, however these assets were not removed from the ground, as there were no offers that were received for them. These assets are still on the ground, however, they are not in a functional state hence the motivation for their disposal. Their value amounted to R364 537, 98.

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

3. Intangible assets

	Cost / Accumulated Carrying Value		Cost / Accumulated Carrying Value	
	Valuation	Amortisation and accumulated impairment	Valuation	Amortisation and accumulated impairment
Computer software	4,885,116	(4,883,517)	1,599	4,885,116 (4,882,758)
				2,358

Reconciliation of intangible assets - 2023

Computer software	Opening balance	Amortisation	Total
	2,358	(759)	1,599

Reconciliation of intangible assets - 2022

Computer software	Opening balance	Amortisation	Total
	3,117	(759)	2,358

4. Inventories

Solar batteries

176,522 204,322

5. Receivables from exchange transactions

Amangwane TC
Matheni TC

99,000 -
24,900 -
123,900 -





Figures in Rand

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2,324,459	2,811,917
Call Account	33,069,391	32,077,243
	35,393,850	34,889,160

The entity has long outstanding payments as reconciling items in the bank reconciliation amounting to R 167 878, which are still under review. The entity is still performing an investigation to clear these outstanding payments.

7. Payables from exchange transactions

Trade payables	-	1,400
Accruals for salaries and general expenses	925,185	1,062,358
	925,185	1,063,758

8. Interest income

Interest revenue

Interest on call account	992,148	1,212,705
Interest on bank balance	202,314	91,835
	1,194,462	1,304,540

9. Departmental support - Expenditure

Other subsidies

Operating payments	4,247,761	5,611,192
Consumables supplies	261,620	695,568
Travel and subsistence	19,577,854	9,251,797
Catering	1,563,892	1,196,275
Communications	2,147,806	756,834
Contractors	3,114,142	1,048,609
Consumables: Stationery, printing, and office supplies	29,322	11,926
Operating leases	714,805	505,808
Property payments	-	476,715
Cons & Prof services: Legal costs	-	916,923
Travel Agency fees	1,649,064	652,950
Non-profit institutions	250,000	200,000
Resettlement costs	31,854	-
	33,588,120	21,324,597



Figures in Rand	2023	2022
10. Departmental support - Revenue		
Operating grants		
Operating payments	4,247,761	5,611,192
Consumables supplies	261,620	695,568
Travel and subsistence	19,577,854	9,251,797
Catering	1,563,892	1,196,275
Communications	2,147,806	756,834
Resettlement costs	31,854	-
Contractors	3,114,142	1,048,609
Consumables: Stationery, printing, and office supplies	29,322	11,926
Operating leases	714,805	505,808
Property payments	-	476,716
Cons & Prof services: Legal costs	-	916,923
Travel Agency fees	1,649,064	652,950
Non-profit institutions	250,000	200,000
Capital assets	8,799,986	330,999
	42,388,106	21,655,597
11. Employee-related costs		
Basic	9,785,665	11,342,521
Bonus	544,487	410,272
UIF	6,156	5,367
	10,336,308	11,758,160
12. General expenses		
Cleaning	31,770	3,841
Consulting and professional fees	80,259	96,962
Donations	-	19,500
Entertainment	5,000	24,900
Postage and courier	1,370	1,755
Printing and stationery	66,794	35,056
Travel - local	65,388	56,058
Water and electricity	11,620	48,381
Maintenance of late Inkosi	178,800	312,100
Cultural activities	884,320	358,845
Other expenses	64,089	383,857
	1,389,410	1,341,255
13. Cash generated from operations		
Surplus (deficit)	5,408,341	(119,151)
Adjustments for:		
Depreciation and amortisation	5,253,663	5,337,814
Profit/(Loss) on sale of assets	382,119	1,608,484
Impairment of assets	-	4,817
Inventory write-downs	27,800	27,485
Departmental support	33,588,120	21,324,597
Revenue from non-exchange transactions	(42,388,106)	(21,655,597)
Gain on assets reassessment	(815,307)	(4,289,459)
Changes in working capital:		
Payables	(828,040)	(1,868,731)
Other receivables from non-exchange transactions	(123,900)	57,783
Unspent conditional grants and receipts	-	297,121
	504,690	725,163



Figures in Rand	2023	2022
-----------------	------	------

14. Related parties

Relationships

Member of the Provincial Executive

MEC for Department Cooperative Governance and Traditional Affairs

Accounting Officer

Head of Department Cooperative Governance and Traditional Affairs

Department Cooperative Governance and Traditional Affairs - Departmental support provided to the entity in 2022/2023 amounted to R 42 388 106 (2021/2022: R 21 655 597).

15. Prior-year errors

Property, plant, and equipment

During the 2022/2023 financial period, the entity's management identified assets that were on the floor and not on the fixed asset register.

Deposits not yet cleared and Direct receipts

Deposits which could not be allocated to any class of revenue due to the lack of cashbooks were incorrectly recognised as a Deposits not yet cleared in the Statement of financial position in the prior year. This has now been classified as Direct receipts in the Statement of Financial Performance.

Interest received

The interest on investment and interest on bank balance has been restated to R1 212 705 and R91 835 respectively. This does not change the overall interest received amount.

Direct receipts and revenue

The entity received the 2021/22 outstanding cashbooks from the TC and then was able to recognise the revenue to the different classes of revenue.

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment @Cost		33,514,632	2,676,516	36,190,862
Property, plant and equipment @ Accumulated depreciation and impairment losses		13,982,932	621,414	14,604,058
Property, plant and equipment @ Book value		19,531,700	2,055,104	21,586,804
Deposits not yet cleared		571,596	571,596	-
		-	-	-



Figures in Rand	2023	2022
-----------------	------	------

15. Prior-year errors (continued)

Statement of financial performance 2022

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation		4,713,206	624,608	5,337,814
Direct Receipts		488,420	98,327	586,747
Court fees and fines		258,818	7,910	266,728
Tribal levies		1,436,851	60,110	1,496,961
Royalties received		64,850	-	64,850
Rental income		44,775	1,108	45,883
Miscellaneous		796,539	12,665	809,204
Customary fees		5,508,087	238,320	5,746,407
Cultural fees		345,569	2,080	347,649
Livestock Permits		185,360	10,200	195,560
Land Utilization		4,360,641	140,976	4,501,617
		-	-	-

Statement of Changes in Net Assets 2022

	Note	As previously reported	Correction of error	Restated
Net effects in Accumulated Surplus		52,992,186	2,626,700	55,618,886
		52,992,186	2,626,700	55,618,886

16. Risk management

Interest rate risk

The entity has no significant interest-bearing assets, hence the entity's income and operating cash flows are independent of changes in market interest rates.

At 31 March 2023, financial instruments exposed to interest rates risks were call deposit and deposits.

17. Change in accounting estimate

Depreciable assets' original remaining useful life was reassessed in the beginning of the current year in order to reflect the actual pattern of service potential derived from the assets. This was as a result of the physical assets assessment undertaken by the Department. This had an effect of decreasing depreciation expense for the year ended 31 March 2023 by R257 886,58 (previously R297 384,27 per year, now R39 497,69). Depreciation for the remaining useful life is expected to be similarly affected by these changes in accounting estimates.



Figures in Rand	2023	2022
-----------------	------	------

18. Fruitless and wasteful expenditure

Current year movements	-	273
------------------------	---	-----

Fruitless and wasteful expenditure relate to interest incurred and paid for on ESKOM and Telkom invoices respectively

19. Outstanding Cashbooks and TC Secretary strike

We have 2 outstanding cashbooks for the 2021/22 financial year and 18 outstanding cashbooks for the 2022/23 financial year due to the ongoing TC Secretary strike.

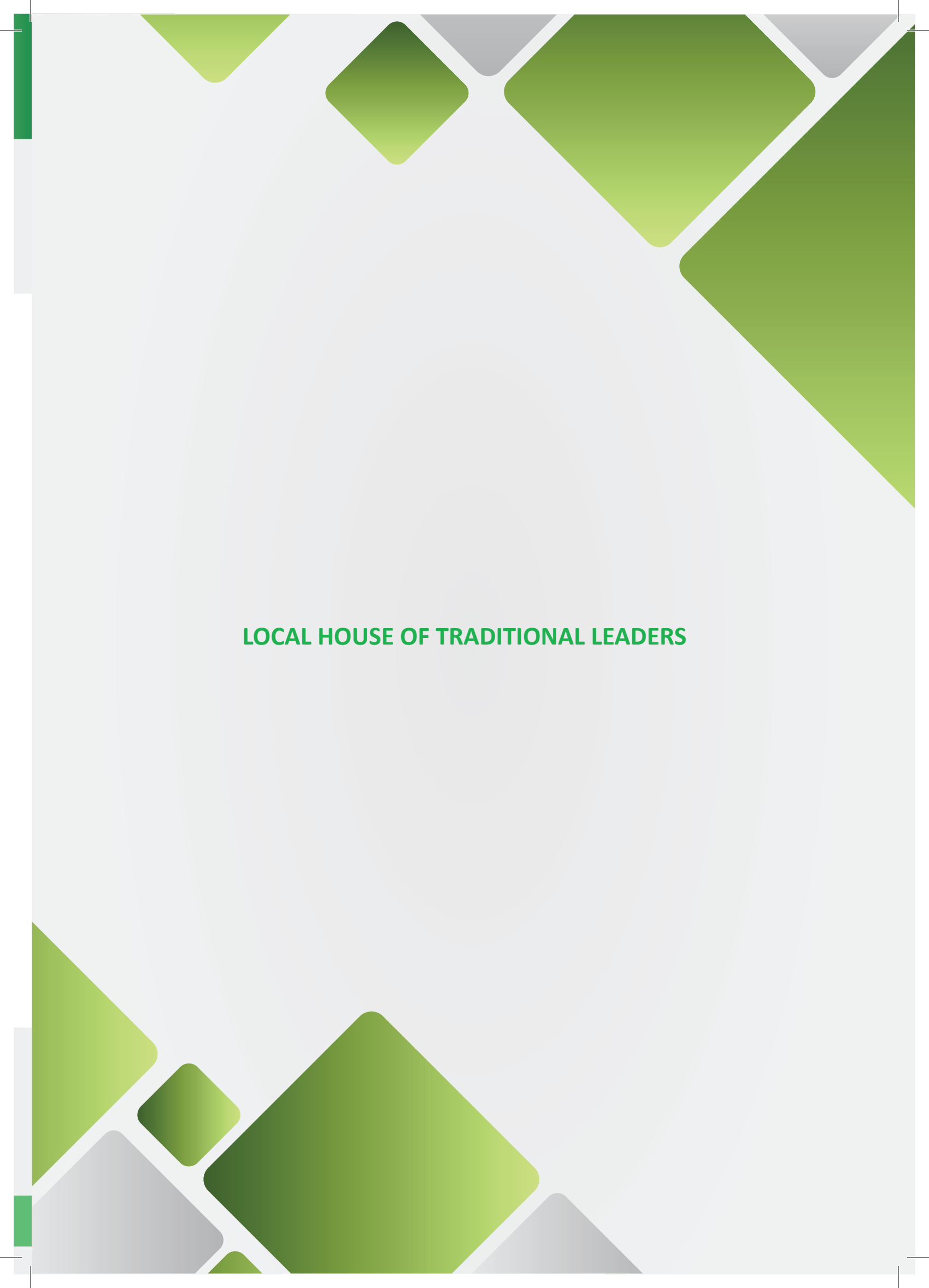
20. Events after reporting date

Non-adjusting events

Ntuli TACs in Eshowe was affected by public protests in April 2023 which resulted in damages to plastic chairs with a carrying value of R8100 as at 31 March 2023.

Adjusting events

At the financial statements submission date, the entity had 73 outstanding cashbooks for the 2021/22 financial year and 333 outstanding cashbooks for the 2022/23 financial year due to the ongoing TC Secretary strike. The entity subsequently received the outstanding cashbooks and has adjusted the financial statements accordingly.



LOCAL HOUSE OF TRADITIONAL LEADERS



Local House of Traditional Leaders

Name	Local House	Contact Number
T.Conco	Ilembe (KwaDukuza)	Tel: 032 5511035 Fax: 032 5521095 Cell: 072 981 8408
T.Biyela	Harry Gwala (Ixopo)	Tel: 033 3952688 Fax: 033 425060 Cell 082 094 1616
Z.Maphanga	Umgungundlovu (Pmb)	Tel: 033 8975602 Fax:033 421269 Cell: 072 151 7820
J. Mkhabela	Umkhanyakude (Umkhuze)	Tel: 035 5731744 Fax: 033 897 5752 Cell: 061 510 9764
S. Baqwa	Ugu (Port Shepstone)	Tel: 083 533 4494 Cell: 072 108 4673
B.Mkize	Ethekwini (Pinetown)	Tel: 031 2041868 Fax: 031 204 1917 Cell: 071 876 9239
D.Kinsey	Umzinyathi (Dundee)	Tel: 034 2122772 Fax: 034 2122473 Cell:079 690 4347
R.T Mthembu	King Cetshwayo (Eshowe)	Tel: 035 4745809/7 Fax: 035 474 5808 Cell: 067 400 9147
J.S Skhosana	Uthukela (Ladysmith)	Tel: 0366314838 Fax: 036 6312889 Cell:082 547 2705
Chris Nkosi	Zululand (Ulundi)	Tel: 035 8743898 Fax: 035 8742850 Cell: 073 335 4356
C. Shabalala	Amajuba (Newcastle)	Tel: 034 3153728 Fax: 034 3125381 Cell: 063 6597474
D. Ntyinkala	Provincial House (Secretary)	Cell: 066 000 1503







Office of the MEC

8th Floor

Wadley House building
115 Jabu Ndlovu Street
Pietermaritzburg

3201

Tel: 033 897 5600

Office of the HOD

14th Floor, South Tower
Natalia Building

330 Langalibalele Street
Pietermaritzburg

3201

Tel: 033 260 8375



www.kzncogta.gov.za

follow us on kzncogta